



[BILLING CODE: 6750-01S]

FEDERAL TRADE COMMISSION

[File No. 161 0232]

Potash Corporation of Saskatchewan Inc. and Agrium Inc.; Analysis to Aid Public

Comment

AGENCY: Federal Trade Commission.

ACTION: Proposed Consent Agreement.

SUMMARY: The consent agreement in this matter settles alleged violations of federal law prohibiting unfair methods of competition. The attached Analysis to Aid Public Comment describes both the allegations in the complaint and the terms of the consent orders -- embodied in the consent agreement -- that would settle these allegations.

DATES: Comments must be received on or before January 29, 2018.

ADDRESSES: Interested parties may file a comment online or on paper, by following the instructions in the Request for Comment part of the **SUPPLEMENTARY INFORMATION** section below. Write “In the Matter of Potash Corporation of Saskatchewan Inc. et al., File No. 161-0232” on your comment, and file your comment online at

<https://ftcpublic.commentworks.com/ftc/potashcorconsent> by following the instructions on the web-based form. If you prefer to file your comment on paper, write “In the Matter of Potash Corporation of Saskatchewan Inc. et al., File No. 161-0232” on your comment and on the envelope, and mail your comment to the following address: Federal Trade Commission, Office of the Secretary, 600 Pennsylvania Avenue, NW, Suite CC-5610 (Annex D), Washington, DC 20580, or deliver your comment to the following address: Federal Trade Commission, Office of

the Secretary, Constitution Center, 400 7th Street, SW, 5th Floor, Suite 5610 (Annex D), Washington, DC 20024.

FOR FURTHER INFORMATION CONTACT: Kristian Rogers (202-326-3210), Bureau of Competition, 600 Pennsylvania Avenue, NW, Washington, DC 20580.

SUPPLEMENTARY INFORMATION: Pursuant to Section 6(f) of the Federal Trade Commission Act, 15 U.S.C. 46(f), and FTC Rule 2.34, 16 CFR § 2.34, notice is hereby given that the above-captioned consent agreement containing a consent order to cease and desist, having been filed with and accepted, subject to final approval, by the Commission, has been placed on the public record for a period of thirty (30) days. The following Analysis to Aid Public Comment describes the terms of the consent agreement, and the allegations in the complaint. An electronic copy of the full text of the consent agreement package can be obtained from the FTC Home Page (for December 27, 2017), on the World Wide Web, at <https://www.ftc.gov/news-events/commission-actions>.

You can file a comment online or on paper. For the Commission to consider your comment, we must receive it on or before January 29, 2018. Write “In the Matter of Potash Corporation of Saskatchewan Inc. et al., File No. 161-0232” on your comment. Your comment - including your name and your state - will be placed on the public record of this proceeding, including, to the extent practicable, on the public Commission Website, at <https://www.ftc.gov/policy/public-comments>.

Postal mail addressed to the Commission is subject to delay due to heightened security screening. As a result, we encourage you to submit your comments online. To make sure that the Commission considers your online comment, you must file it at <https://ftcpublic.commentworks.com/ftc/potashcorconsent> by following the instructions on the

web-based form. If this Notice appears at <http://www.regulations.gov/#!home>, you also may file a comment through that website.

If you prefer to file your comment on paper, write “In the Matter of Potash Corporation of Saskatchewan Inc. et al., File No. 161-0232” on your comment and on the envelope, and mail your comment to the following address: Federal Trade Commission, Office of the Secretary, 600 Pennsylvania Avenue, NW, Suite CC-5610 (Annex D), Washington, DC 20580, or deliver your comment to the following address: Federal Trade Commission, Office of the Secretary, Constitution Center, 400 7th Street, SW, 5th Floor, Suite 5610 (Annex D), Washington, DC. 20024. If possible, submit your paper comment to the Commission by courier or overnight service.

Because your comment will be placed on the publicly accessible FTC Website at <https://www.ftc.gov>, you are solely responsible for making sure that your comment does not include any sensitive or confidential information. In particular, your comment should not include any sensitive personal information, such as your or anyone else’s Social Security number; date of birth; driver’s license number or other state identification number, or foreign country equivalent; passport number; financial account number; or credit or debit card number. You are also solely responsible for making sure that your comment does not include any sensitive health information, such as medical records or other individually identifiable health information. In addition, your comment should not include any “trade secret or any commercial or financial information which . . . is privileged or confidential” – as provided by Section 6(f) of the FTC Act, 15 U.S.C. 46(f), and FTC Rule 4.10(a)(2), 16 CFR 4.10(a)(2) – including in particular competitively sensitive information such as costs, sales statistics, inventories, formulas, patterns, devices, manufacturing processes, or customer names.

Comments containing material for which confidential treatment is requested must be filed in paper form, must be clearly labeled “Confidential,” and must comply with FTC Rule 4.9(c). In particular, the written request for confidential treatment that accompanies the comment must include the factual and legal basis for the request, and must identify the specific portions of the comment to be withheld from the public record. *See* FTC Rule 4.9(c). Your comment will be kept confidential only if the General Counsel grants your request in accordance with the law and the public interest. Once your comment has been posted on the public FTC Website – as legally required by FTC Rule 4.9(b) – we cannot redact or remove your comment from the FTC Website, unless you submit a confidentiality request that meets the requirements for such treatment under FTC Rule 4.9(c), and the General Counsel grants that request.

Visit the FTC Website at <http://www.ftc.gov> to read this Notice and the news release describing it. The FTC Act and other laws that the Commission administers permit the collection of public comments to consider and use in this proceeding, as appropriate. The Commission will consider all timely and responsive public comments that it receives on or before January 29, 2018. For information on the Commission’s privacy policy, including routine uses permitted by the Privacy Act, see <https://www.ftc.gov/site-information/privacy-policy>.

Analysis of Agreement Containing Consent Orders to Aid Public Comment

I. Introduction

The Federal Trade Commission (“Commission”) has accepted, subject to final approval, an Agreement Containing Consent Order (“Consent Agreement”) with Potash Corporation of Saskatchewan Inc. (“PotashCorp”), Agrium Inc. (“Agrium”), and Nutrien Ltd. (“Nutrien”). The proposed Consent Agreement is intended to remedy the anticompetitive effects that would otherwise result from the proposed merger of PotashCorp and Agrium. Under the Consent

Agreement, the merging parties must divest Agrium's Conda, Idaho facility and related assets to Itafos or another buyer approved by the Commission and must divest Agrium's North Bend, Ohio facility and related assets to Trammo, Inc. ("Trammo") or another buyer approved by the Commission. The Consent Agreement provides the acquirers with the manufacturing plants and other tangible and intangible assets needed to compete effectively in the markets for the manufacture and sale of superphosphoric acid ("SPA") and 65%-67% concentration nitric acid.

On September 11, 2016, PotashCorp and Agrium agreed to a merger (the "Merger") in which PotashCorp and Agrium shareholders will own 52% and 48% of the combined firm, respectively. The Commission's Complaint alleges that the Merger, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, by substantially lessening competition in the markets for (1) SPA in North America and (2) 65%-67% concentration nitric acid in the region near and to the east of PotashCorp's Lima, Ohio and Agrium's North Bend, Ohio nitric acid plants.

The Consent Agreement has been placed on the public record for 30 days to solicit comments from interested persons. Comments received during this period will become a part of the public record. After 30 days, the Commission will again review the Consent Agreement, along with the comments received, and will decide whether it should withdraw the Consent Agreement, modify it, or make final the Decision and Order.

II. The Parties

PotashCorp, headquartered in Saskatoon, Saskatchewan, Canada, and Agrium, headquartered in Calgary, Alberta, Canada, are both large producers of crop nutrients, including potash, phosphate, and nitrogen products. PotashCorp and Agrium are two of only three firms in

North America that manufacturer SPA, a key input for liquid phosphate fertilizers. PotashCorp and Agrium are also two of a small number of firms that make 65%-67% concentration nitric acid, a nitrogen product sold for industrial uses, in North America, and both PotashCorp and Agrium own nitric acid plants in Ohio.

III. The Relevant Markets

A. Superphosphoric Acid

Phosphate is an essential plant nutrient that farmers apply to crops on a seasonal basis. SPA, a highly concentrated form of phosphoric acid, is used to produce the liquid phosphate fertilizer known as ammonium polyphosphate (“APP”). SPA is purchased by agricultural wholesalers and retailers, who convert it to APP and sell APP to farmers.

The relevant product market does not include dry phosphate fertilizers such as monoammonium phosphate (“MAP”) or diammonium phosphate (“DAP”). Many farmers perceive advantages, including higher crop yield and quality, to using liquid rather than dry phosphate fertilizer, particularly in the early stages of crop development. In addition, liquid phosphates can be applied more directly to the seed than dry phosphates and can easily be combined with other nutrients. Consistent with these perceived advantages, SPA typically garners a premium price over dry phosphates. This premium has at times expanded significantly without prompting customers to shift their purchases substantially from liquid to dry phosphate fertilizers.

The relevant geographic market in which to analyze the effects of the Merger for SPA is no broader than North America. SPA is caustic, requires special handling and equipment, and is perishable outside certain temperature ranges. As a result, importing offshore SPA is logistically

challenging and expensive, and imports of SPA are rare and do not constrain the prices of SPA produced in North America.

Currently, three firms – PotashCorp, Agrium, and J.R. Simplot Company (“Simplot”) – manufacture all the SPA produced in North America. PotashCorp has two SPA plants, located in Aurora, North Carolina and White Springs, Florida. Agrium’s sole SPA plant is located in Conda, Idaho. Simplot has SPA plants in Rock Springs, Wyoming and Pocatello, Idaho. Absent the proposed remedy, the Merger would result in the merged entity controlling more than 75% of SPA production capacity in North America.

B. 65%-67% Concentration Nitric Acid

Nitric acid is a chemical compound produced through the interaction of ammonia, water, and a catalyzing agent. Nitric acid is used as a feedstock for nitrogen-based fertilizers and explosives and is also sold for a variety of industrial uses, including the production of stainless steel, metal-based specialty chemicals, and water-treatment and cleaning products. Nitric acid is produced at different concentration levels, which reflect the amount of water present together with the pure nitric acid. Both PotashCorp’s plant in Lima, Ohio and Agrium’s plant in North Bend, Ohio produce nitric acid at 65%-67% concentration, which is the preferred concentration for most industrial uses.

Customers could not quickly or easily switch from 65%-67% concentration nitric acid to other nitric acid concentrations or other chemical products. For most customers, there are no chemical substitutes that are functionally equivalent to nitric acid. Purchasing lower-concentration nitric acid and increasing its concentration is not an economical alternative because customers would need to invest in constructing an evaporation tower, which few if any nitric acid customers have today. Additionally, buying lower-concentration nitric acid requires

customers to pay to ship and store more water to receive the same amount of acid. Purchasing 98% concentration nitric acid and diluting it down is also not an economical alternative due to the significant environmental and safety hazards associated with transporting and storing highly concentrated nitric acid. The relevant product market is therefore limited to 65%-67% concentration nitric acid.

The relevant geographic market in which to analyze the effects of the Merger with respect to 65%-67% concentration nitric acid encompasses customer locations near and to the east of PotashCorp's and Agrium's nitric acid plants in Lima, Ohio and North Bend, Ohio, respectively. The relevant geographic market includes customer locations in Ohio, Kentucky, Pennsylvania, Maryland, West Virginia, and New Jersey. These customers are vulnerable to a price increase on nitric acid sold by the merged entity for several reasons. Nitric acid is a corrosive chemical requiring special care in handling and storage. As a result, the costs of transporting nitric acid are high, making the relative locations of suppliers and customers critical to the total delivered costs. Most nitric acid customers rely on truck delivery, which further limits their ability to buy from more remote suppliers. Other sellers of 65%-67% concentration nitric acid are far more distant from customers in the relevant geographic market than North Bend and Lima, and therefore these sellers are not viable alternative sources of supply. Finally, the merging parties have the ability to price discriminate on sales of nitric acid by customer location.

PotashCorp and Agrium are the primary suppliers of 65%-67% concentration nitric acid to customer locations near and to the east of PotashCorp's Lima, Ohio and Agrium's North Bend, Ohio nitric acid plants. Other producers of 65%-67% concentration nitric acid, such as Dyno Nobel, Inc. and LSB Industries Inc., have minimal sales into this region. Absent the

proposed remedy, the Merger would result in the merged entity having more than 90% of sales of 65%-67% concentration nitric acid into the relevant geographic market.

IV. Effects of the Acquisition

Absent the proposed remedy, the Merger would pose a significant risk of harm to competition in the relevant markets. The Merger would eliminate head-to-head competition between PotashCorp and Agrium on SPA sales and would enhance the merged firm's ability and incentive to raise market prices by reducing SPA output. The Merger would also increase the likelihood of coordination in a market that is already vulnerable to coordination, given that SPA is a commodity and SPA pricing and output information is often disseminated through customers and industry publications. For sales of 65%-67% concentration nitric acid to customers in the relevant geographic market the Merger would also eliminate the vigorous competition on pricing and service that exists today between PotashCorp and Agrium.

V. Entry

Entry into the relevant markets would not be timely, likely, or sufficient to deter or counteract the expected anticompetitive effects of the Merger. New entry into SPA production, even of modest capacity, would likely take years and cost at least \$100 million. No entry has occurred into North American SPA production in the past five years, nor is any in progress or anticipated. Although two new nitric acid facilities have been constructed in recent years, those facilities are outside the relevant geographic market and make nitric acid for their internal use at a lower concentration. Existing suppliers of 65%-67% concentration nitric acid are unlikely to expand their sales footprint enough to defeat a price increase by the merged entity in the relevant geographic market.

VI. The Consent Agreement

The proposed Consent Agreement remedies the competitive concerns raised by the Merger by requiring the merging parties to divest Agrium's Conda, Idaho facility to Itafos and Agrium's North Bend, Ohio facility to Trammo. These divestitures will preserve the competition that currently exists in the relevant markets.

Under the proposed Consent Agreement, Agrium's phosphate operations at Conda, Idaho, as well as related phosphate mines, customer and supplier contracts, and intellectual property, will be sold to Itafos. Itafos is an integrated producer of phosphate-based fertilizers with a phosphate mining and manufacturing operation located in Brazil. Itafos also owns other phosphate mining properties, including a mine in Paris Hills, Idaho, located 35 miles from Conda. Paris Hills is expected to become operational in 2019 and will serve as a source of high-grade phosphate ore for the Conda operations. As a new entrant into the sale of SPA in North

America, Itafos is well positioned to preserve the SPA competition that would otherwise be lost through the Merger.

The proposed Consent Agreement further provides that Agrium's nitric acid plant and related operations at North Bend, Ohio, as well as customer and supplier contracts and intellectual property, will be sold to Trammo. Trammo is a global trader, distributor, and transporter of commodity chemicals, including anhydrous ammonia, the primary feedstock for nitric acid production. Trammo owns three ammonia terminals in Illinois as well as specialized refrigerated barges for ammonia distribution. Through its trading and storage activities, Trammo expects to realize efficiencies in the supply of anhydrous ammonia to North Bend. Trammo will be a new entrant in the sale of 65%-67% concentration nitric acid and will replace Agrium's position in the market today.

The merged entity must complete the divestiture within ten days of closing the Merger. If the Commission determines that Itafos or Trammo is not an acceptable acquirer, the Decision and Order requires the parties to unwind the sale and accomplish the divestiture to another Commission-approved acquirer within 120 days of the date the Decision and Order becomes final. If the merging parties fail to carry out the divestiture in the manner prescribed by the Decision and Order, the Commission may appoint a divestiture trustee to accomplish the divestiture.

The Commission will appoint an interim monitor to ensure the merging parties' compliance with the Decision and Order and to keep the Commission informed about the status of the divestiture. The purpose of this analysis is to facilitate public comment on the proposed Consent Agreement, and it is not intended to constitute an official interpretation of the proposed Decision and Order or to modify its terms in any way.

By direction of the Commission.

April J. Tabor,
Acting Secretary.

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